R E P O R T R E S U M E S

ED 012 316 VT 001 333

TEACHING ECONOMIC UNDERSTANDINGS IN BUSINESS COURSES, A REPORT OF A WORKSHOP.

BY- O'BRIEN, CLARE
CALIFORNIA STATE DEPT. OF EDUCATION, SACRAMENTO

PUB DATE 65

EDRS PRICE MF-$0.18 HC-$2.88 72P.

DESCRIPTORS- *ECONOMICS, *BUSINESS EDUCATION, *CURRICULUM PLANNING, HIGH SCHOOLS, CURRICULUM GUIDES, BIBLIOGRAPHIES, WORKSHOPS, *TEACHING TECHNIQUES, INSTRUCTIONAL MATERIALS, SACRAMENTO

THE MATERIALS AND SUGGESTIONS FOR TEACHERS WERE DEVELOPED AT A 1961 SUMMER WORKSHOP FOR BUSINESS EDUCATION TEACHERS AND LATER REVIEWED AT CONFERENCES OF BUSINESSMEN AND BUSINESS EDUCATORS. BUSINESS EDUCATION PROVIDES AN APPROPRIATE SETTING IN WHICH TO EXAMINE AND DISCUSS THE APPLICATION OF BASIC ECONOMIC PRINCIPLES. SUGGESTIONS ARE GIVEN FOR INVOLVING STUDENTS IN THE ECONOMIC ANALYSIS OF SITUATIONS THEY ENCOUNTER DAILY. EXAMPLES ARE GIVEN TO SHOW HOW ECONOMIC UNDERSTANDINGS MAY BE INTRODUCED INTO CLASSES IN BOOKKEEPING, BUSINESS LAW, BUSINESS MATHEMATICS, GENERAL BUSINESS, MERCHANDISING, SHORTHAND, TYPEWRITING, AND BUSINESS ENGLISH. A BIBLIOGRAPHY AND AN OUTLINE OF A ONE-SEMESTER COURSE ON THE AMERICAN ECONOMY ARE INCLUDED. (PS)

ED012316

1333

U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
OFFICE OF EDUCATION

THIS DOCUMENT HAS BEEN REPRODUCED EXACTLY AS RECEIVED FROM THE PERSON OR ORGANIZATION ORIGINATING IT. POINTS OF VIEW OR OPINIONS STATED DO NOT NECESSARILY REPRESENT OFFICIAL OFFICE OF EDUCATION POSITION OR POLICY.

TEACHING ECONOMIC UNDERSTANDINGS IN BUSINESS COURSES
-A Report of a Workshop-

California State Department of Education
Bureau of Business Education
721 Capitol Mall
Sacramento, California 95814

VT 01333

Some of the basic material in this report has been previously published for the purpose of making available to business education teachers suggestions for including economic understandings in business education courses. These suggestions were developed at a workshop and reviewed at conferences of businessmen and business educators.

This release contains the material included in the original report plus an expanded and up-to-date bibliography and an outline of a one-semester course in the American economy which was developed by the Bureau of Secondary Education of the California State Department of Education.

Miss M. Claire O'Brien, Consultant, Bureau of Business Education, conducted the economic education workshop and the business education conferences and assumed the responsibility for developing this release.

The State Superintendent of Public Instruction, the State Board of Education, as well as businessmen and industrial leaders are very much concerned about the need to expand the extent and scope of teaching economics in the public schools of California. Business educators have a very important part to play in this new effort.

We hope that this report will be valuable to business teachers in implementing some of the suggestions made by businessmen and educators. It is hoped, also, that business teachers will be resourceful in developing new methods of introducing economic understandings in business courses.

R. C. Van Wagenen, Chief
Bureau of Business Education

TABLE OF CONTENTS

Introduction ii

Acknowledgments iv

Economic Understandings in Business and Distributive Subjects . . 1

Bookkeeping and Economic Education 15

Business Law and Economic Education. 19

Business Mathematics and Economic Education. 23

General Business and Economic Education. 31

Merchandising and Economic Education 40

Shorthand, Typewriting, Business English and Economic Education. . 45

Selected Sources of Materials in Economic Education. 46

Selected Bibliography in Economic Education. 48

Appendix A: Generalizations from Economics. 50

Appendix B: The American Economy. 56

INTRODUCTION

This publication is based upon a report of a workshop held during the summer of 1961. The workshop was sponsored by the Bureau of Business Education for the purpose of developing some examples of materials relative to economic understandings which could be included in business education subjects.

The participants in the workshop were the Californians who attended the National Workshop on Economics for Business Education Teachers at Montclair State College, New Jersey, in 1960.

The personnel of the workshop follows: Leo A. Dierks, Chairman of Business Education Department, Samuel Ayer High School, Milpitas; Lionel B. Goularte, Chairman, Business Education Department, Woodside High School, Redwood City; Peter Kanonchoff, Chairman, Business Education Department, Monroe High School, Los Angeles; Dr. Richard S. Perry, Chairman, Business Education Department, San Fernando Valley State College, Northridge; Robert D. Rankin, Business Education Teacher, Taft High School, Los Angeles; Dr. Robert J. Thompson, Chairman, Business Education Department, Foothill College, Los Altos. Miss M. Claire O'Brien, Consultant in Business Education, Bureau of Business Education, California State Department of Education, was the director of the workshop.

Dr. Harold Bienvenu, Director of the Southern California Council on Economic Education, and Dr. Vernon Ouellette, Director of the Northern California Council on Economic Education, were consultants to the group.

The preliminary draft of the report was produced in the 1961 summer workshop. The material included in this publication is the result of suggestions made by groups and individuals to whom the report was submitted for review.

Dr. James D. Calderwood, Professor, School of Business Administration, University of Southern California, reviewed the report and made suggestions for its improvement.

The workshop was organized as the result of a recommendation of an advisory committee formed to consider ways in which the Bureau of Business Education could encourage the teaching of economics in business education subjects in high schools and of encouraging business education teachers to participate in teaching courses in economics.

The participants in the workshop agreed that a high school course in economics should be offered to all students in order to bring together economic understandings which had been presented in many courses in elementary and high school either as a planned part of the course of study or as incidental information.

Topics may be introduced into most business education subjects which would provide information concerning economic problems. These topics afford appropriate settings in which to examine and to discuss the application of basic economic principles. In all discussions relating to economic understandings, the students should be encouraged to appreciate the relationship between economics and the subjects they are studying in addition to developing skills in analyzing economic problems and in making intelligent choices based on accurate information.

The information contained in this report are examples of economic understandings which could be used in business subjects and are designed for teacher use rather than student use. It is hoped this information will stimulate teachers to find additional ways of including economic principles in the courses they teach in order to increase the students' understanding of the American economic system.

ACKNOWLEDGMENTS

Appreciation is extended to the people who attended the conferences which were conducted to review the material developed in the workshop. Three conferences were held in Sacramento, Los Angeles, and Hayward. The names of the conference participants follow:

Phillip Ashworth, Supervisor, Business Education, San Diego City Schools, San Diego
Frank Baker, Chairman, Business Education Department, Hiram Johnson Senior High School, Sacramento
Selmer H. Berg, Superintendent, Oakland Unified School District, Oakland
Ronald Bernard, Business Education Teacher, Arroyo High School, San Lorenzo
Joseph Blanchard, District Superintendent and Principal, Manteca Union High School, Manteca
Mike Bronner, Business Education Teacher, Andrew Hill High School, San Jose
George P. Brubaker, President, Brubaker Inc., Los Angeles, Young Presidents' Organization representative
Verlin Burchard, Principal, Tracy High School, Tracy
Ivor Calloway, Principal, Polytechnic High School, San Francisco
Ray P. Carreon, Business Education Teacher, Napa High School, Napa
William A. Clark, Chairman, Business Education Department, Pacific High School, San Leandro
M. L. Crawford, Secretary to the Faculty, San Diego State College, San Diego
Dr. Gerald D. Cresci, Consultant, Bureau of Junior College Education, Sacramento
Don Dachner, Business Education Teacher, Davis Senior High School, Davis
Roger A. Davey, Director of Business Education, Stockton Unified School District, Stockton
Sid Davidson, Dean, Samuel Ayer High School, Milpitas
James Deitz, Business Education Department, University of California, Los Angeles
Orville De Jong, Business Education Teacher, Lodi High School, Lodi
Leo Dierks, Chairman, Business Education Department, Samuel Ayer High School, Milpitas
Dr. Lawrence W. Erickson, Professor of Education, University of California, Los Angeles
George Fernandez, Principal, Cupertino High School, Sunnyvale
Clyde E. Ford, Teacher, San Gabriel High School, San Gabriel
Dorothy M. Ford, Consultant, Business and Distributive Education, Los Angeles County Schools, Los Angeles
Dr. Albert C. Fries, Chairman, Division of Business, Chico State College, Chico
Blossom E. George, Director of Instruction, Colton Union High School District, Colton
Lionel B. Goularte, Chairman, Business Education Department, Woodside High School, Redwood City
Dr. Jessie C. Gustafson, Head, Department of Business Education, Los Angeles State College, Los Angeles
Richard Helm, Director of Business Education, Fresno City Schools, Fresno
Gary E. Howard, Coordinator of Distributive Education, Berkeley Unified School District, Berkeley

Peter Kanonchoff, Chairman, Business Education Department, Monroe High School, Los Angeles
Bernard Karne, Business Education Teacher, Castlemont High School, Oakland
Mead B. Kibbey, President, Black Diamond Company, Sacramento; Representing Young Presidents' Organization
Mildred Lee, Chairman, Business Education Department, San Gabriel High School, San Gabriel
Dr. John H. Linn, President, California Business Education Association, San Francisco State College, San Francisco
Dr. William Mason, Director, Center on Economic Education, San Francisco State College, San Francisco
Milton C. McDowell, Chairman, Business Education Department, Capuchino High School, San Bruno
Warren Meyer, Business Education Teacher, Woodland High School, Woodland
Tillie Neft, Chairman, Business Education Department, Aviation High School, South Bay Union High School District, Redondo Beach
James Norton, Director of Guidance, San Rafael City Schools, San Rafael
Dr. Vernon Ouellette, Director, Northern California Council on Economic Education, San Francisco State College, San Francisco
Joanne Pamer, Business Education Teacher, John Burroughs High School, Burbank
Dr. Richard S. Perry, Chairman, Business Education Department, San Fernando Valley State College, Northridge
Robert E. Phillips, President, Wm. E. Phillips Company, Los Angeles, Young Presidents' Organization representative
Dr. Paul Plowman, Secondary Consultant, Washington Unified School District, West Sacramento
Robert Rankin, Business Education Teacher, Taft Senior High School, Woodland Hills
James Reusswig, District Superintendent, Antioch Unified School District, Antioch
Leland Russell, Assistant Superintendent of Education, Acalanes High School, Lafayette
J. B. Schaefer, President, Young Presidents' Foundation of the Young Presidents' Organization, San Francisco
Ruby Shipp, Business Education Department, Culver City High School, Culver City
Dr. Wayne Sorenson, Director of Instruction, Hayward Union High School District, Hayward
Dolores W. Stevens, Chairman, Business Education Department, Rosemead High School, Rosemead
Dr. Robert Thompson, Chairman, Business Education Department, Foothill College, Los Altos Hills
Dr. Willard Thompson, Associate Professor of Business Administration, Sacramento State College, Sacramento
J. R. Toothaker, Director Vocational Education, Pasadena City Schools, Pasadena
Evelyn J. Twaddle, Director of Business Education, Shasta High School and Junior College District, Redding
Mildred Wilbar, Assistant Principal, Santa Monica High School, Santa Monica
Mary Van Winkle, Business Education Teacher, Washington Union High School, Fremont
Mary Alice Wittenberg, Supervisor, Business Education, Los Angeles City Schools, Los Angeles
Marlea Young, Social Studies Teacher, Antioch Junior High School, Antioch

ECONOMIC UNDERSTANDINGS IN BUSINESS AND DISTRIBUTIVE SUBJECTS

In recent years, specialists of all kinds have been urging that more time should be devoted to their subject in the high school curriculum. The mathematicians, the physicists, and the language specialists have among others all made strong cases that young people should know more about their particular field. Now come the economists urging the same thing. Teachers may sometimes wonder how space can be found in the already crowded curriculum for more of these subjects regardless of their importance.

Economics, however, enjoys something of an advantage over other disciplines in that it can be introduced into a large number of existing courses with the result that students can acquire considerable economic understanding without taking a course devoted exclusively to it. Economics can easily be introduced into business education courses as well as such courses as civics, problems of democracy, world history, American history, geography, home economics, and even literature.

It is vitally important that our young people have some understanding of the complex economic issues which confront our nation and on which they are going to be voting in a few years. It is not necessary for business education teachers to convert their courses into economics courses. The teaching of business subjects has other purposes besides the promotion of an understanding of our economic system. Business education courses provide almost limitless opportunities for gaining an understanding of many of these economic issues.

Economic problems are everybody's business because they are part of everybody's life. You and your students read newspapers and watch television newscasts dealing with such subjects as government spending, foreign aid, gross national product, balance of payments, and full employment. Each of these presents an economic problem that should concern every American.

THE NATURE OF ECONOMIC UNDERSTANDING

Because it does concern many things which are current and dramatic and because for the most part economists use everyday language to talk about these things (in contrast, for example, to the doctors and lawyers), many people are under the mistaken impression that economics is just a matter of common sense. Nothing could be further from the truth. One does not acquire economic understanding by reading about current events or by memorizing a collection of historical facts. Economics is a social <u>science</u>. In order to have real economic understanding one must be able to arrange economic information in an orderly and meaningful pattern of systematic relationships. One needs a logical framework of analysis into which economic problems can be fitted so that they hang together in a related whole. Once one possesses the tools of economic analysis, one can find one's way through the forest of ever-changing facts which surround us.

The ultimate test of economic understanding is whether or not one has the ability to deal with <u>future</u> economic problems as they arise. When new problems arise - in such fields as labor-management relations or foreign trade, for example, will they just seem a bewildering collection of "facts" or will we have a feeling of familiarity because we know how to approach and analyze them?

The study of history teaches us that constant change has characterized our national life over the years. This is as true of our economic life as it is of our political and social life. Therefore, it is essential that we possess some of the tools of economic analysis. Acquiring these is not as difficult a task as one might think and experience has shown that it is not beyond the capabilities of high school students.

To help form opinions on current issues which have economic implications and to help make rational judgments concerning economic problems, business students need to become familiar with the facts and methods to be used in the

analysis of economic problems. This publication is concerned with selected approaches to economic analysis that can be followed by teachers of Bookkeeping, Business English, Business Law, Business Mathematics, General Business, Merchandising, Shorthand and Typewriting in preparing students to vote intelligently, serve in the community, and make judgments in regard to issues that affect the economic life of their environment.

WHERE AND HOW TO START

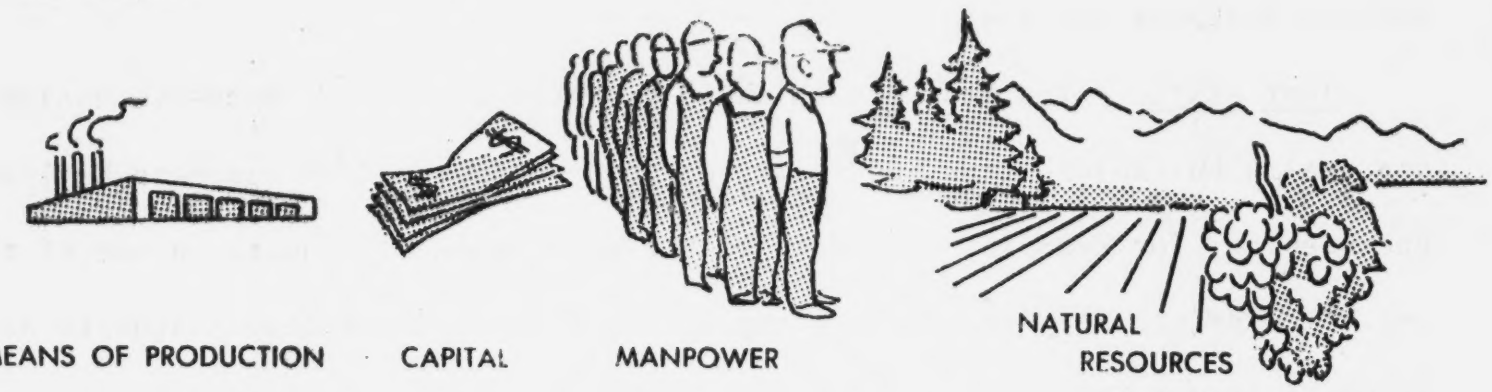
If you're a normal business teacher you will say at this point, "Yes, I know all of that and I'm anxious to present economic understandings, but how and where do I start in X course?" On the pages which follow, you will find information that will help you in getting started on how to include economic concepts in various business courses.

Just start. You start by thinking with the students. Economic analysis does not deal with explanations and solutions ready-made, as does Business English or Bookkeeping, for example. It deals with a developmental process, a way of thinking. Its principal purpose is to replace emotional, unreasoned judgments about economic issues by objective, rational analysis. Once this lesson is learned the most difficult, as well as the most important, step toward realizing the attainment of the goals of economic education will have been taken. You start by priming your mind and those of your students with the basic tenets of economics.

Pose a question about WANTS. You don't even need a textbook (in fact do without one) to germinate a discussion about the wants of people. All people have certain basic needs such as food, clothing, and shelter. Ask the students this question. "If you could have everything you want in this world, what would you select first and how extensive can you make your list of wants?" The students will furnish you with a list that will be limited only by their imagination. All

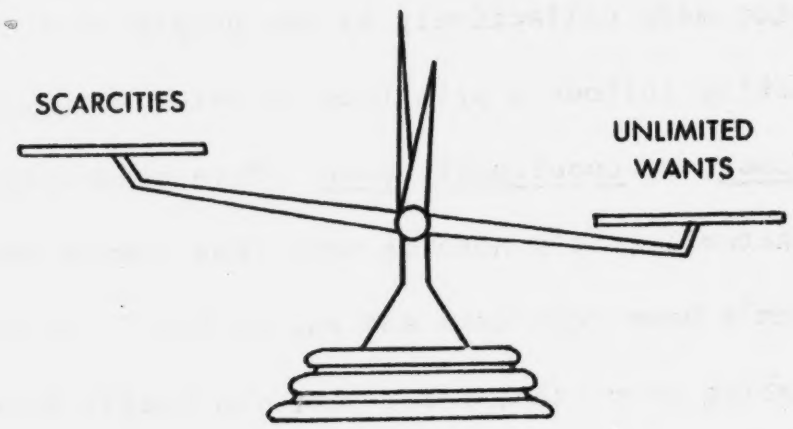
you have to do is direct their thinking. In reality, one of the basic assumptions that an economist must make is that human beings maximize satisfactions and are guided by their selfish interests. Write a list of wants on the chalkboard. Their suggestions will include basic needs and luxuries. At this point, you and the class have recognized the first basic tenet of an economic system--WANT.

Consider SCARCITY. Now the students are ready for the second basic tenet of an economic system, one that is inherent in every society; democratic and totalitarian, SCARCITY. Scarcities in natural and human resources -- the means of production -- constitute the limits to human needs and wants. As you develop some of these scarcities with the students, you should again sketch the ideas on the chalkboard.



Universal economic problem--WANT versus SCARCITY. The fact that there is no end or limit to total human wants creates a scarcity of resources. Thus, scarcity of resources is always relative to the magnitude of wants. The economic problem that results must be faced by every society. This basic fact of scarcity gives rise to the need for economizing--that is, for allocating the available productive resources so as best to satisfy the wants of the people. A clear recognition of this fact is fundamental to economic understanding and rational decision-making. To cope with this economic problem, a nation must develop an economic organization or system. The fact of scarcity is no cause for despair, however, because it has been with us from the beginning. On the contrary, its existence is a reason for optimism provided expanding wants are for goods and services that

will serve to lead our nation to even greater economic competence and efficiency.



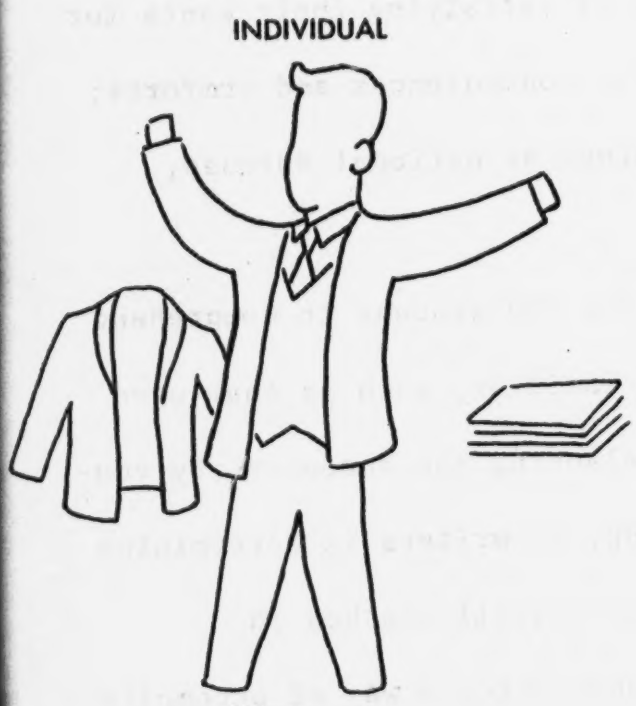
Economic System. Thus, economics becomes a study of how society produces and distributes the goods and services it wants and how society allocates its limited resources, both natural and manpower. More specifically, the study of economics includes an examination of the activities in which eople engage -- such as: pro ducing, saving, spending, and so on, for the purpose of satisfying their wants for food and shelter; providing for their wants for modern conveniences and comforts; and providing for their collective wants for such things as national defense, education, and other social benefits.

The idea of a system may be a little difficult for the student to comprehend unless you relate it to some system with which he is familiar, such as that used by banks in processing a check; by bookkeepers for balancing the accounts; by consumers when calculating the cost of installment buying; by writers in determining whether they have written a complete sentence; and by football coaches in preparing the players to work as a team. A system constitutes a way of accomplishing an objective. To the football team, it's a touchdown. To a nation, it's the satisfaction of human wants.

Choice-making. Since individuals or nations cannot possibly satisfy all economic wants, they must decide which to choose and how to achieve them. Economic decisions are made by millions of individuals -- the people. Decisions are made by individuals separately and by individuals collectively through

democratic processes. Taxation to take care of the educational system is an example of a decision made collectively by the people of a district.

Wise choice-making follows a principle to which economists refer as real cost, alternative cost, or opportunity cost. This principle must be introduced to the students. Actually, it's nothing more than common sense. You have heard the saying, "You can't have your cake and eat it too." So have the students. The real cost of eating your cake, i.e., what you really have to give up, is the pleasure of keeping it. Or if you choose to keep it to admire, the real cost of your choice is enjoyment of eating it. The real cost of any use of limited human or material resources or of income is the most desired other use of the resources or income that must be given up.



The student who must decide how to spend his dollars thinks about what he desires most. Perhaps he narrows his choices to records or clothes. If he spends his dollars on new clothes, its real cost is the most desired other use that he might make of the dollars, the pleasure of owning and listening to a record -- a use which he must sacrifice because he chose the clothes.

Often the businessman has to make a decision relative to short or long term investment which will result in less immediate profit or more eventual profit, respectively. The real cost of the investment of his capital, since it is a limited resource, is the most desired other use of it that must be given up.

The real cost concept applies also to communities, states, and nations -- as well as to individuals. High salaries paid to engineers may attract more students into engineering. To our nation, the real cost of the additional engineers is not their high salaries, but the scientists, teachers, mathematicians, or other professional men that these students might otherwise have become.

In time of war priority for using transportation facilities is given to people and good connected with the war effort. The real cost to the nation is the trips and vacations which would have been taken by individuals if this priority had not been set up.

In peace time the people decide what priority to give to private needs in place of public needs such as education. The real cost of spending money for national defense is that resources will have to be used which would otherwise be used for such purposes as the manufacture of automobiles and refrigerators or in the construction of highways.

When individual needs cannot be met by private resources the people, through democratic processes, may decide that government should provide services and facilities to satisfy these needs. These needs may be classified as community needs because they are needed by many individuals in the community and because they contribute to the general welfare of the entire community. Education is a good example of a community need as it cannot be provided by individuals working alone and it satisfies the need of the community for educated citizens.

Individuals and nations, because they have limited resources, must make such choices. To be sure that the students choose wisely, you must make it your

responsibility to apprise them of the importance of carefully weighing the alternatives.

CONTINUE WITH ECONOMIC REASONING

If your students are still with you, you are now ready to help them do some economic reasoning in connection with the subject you teach. But before you get into a specific subject, consider two more suggestions that are presented below as basic requirements for effective teaching of economic concepts. If these requirements are kept in mind, you will begin to present the same old subject matter in a new way and most important -- it will contain an "economic flavor."

Use Language Carefully. Such abstractions as democracy, capitalism, and welfare are open to misinterpretation. In economics, a good deal of confusion arises because many everyday terms are used in a technical sense. Thus in common usage, production means growing or making something tangible, such as wheat or television sets. But to the economist, production means rendering satisfaction to others. All people who work are producers whether they sell, operate machinery, or provide a service -- all, of course, for a price.

Two other terms that cause confusion are capital and investment. To the layman, capital usually means the funds awaiting investment or the stocks, bonds, and real estate a person owns. But to the economist, capital also denotes the tools, machines, factories, and other goods used to produce commodities. It is even used at times to include holdings of consumer goods such as automobiles and washing machines. Investment is popularly used to mean the purchase of stocks, bonds, and real estate or other property yielding an income. But to the economist, it generally means the expenditure of funds on new equipment and other goods used in production. It is part of the process of creating capital.

Other economic terms that have several meanings are money, competition, depression, demand, and income. If you are a little hazy about the meaning of

these terms, simply do a little reviewing in a textbook on elementary economics. All the meanings will come back to you in a very short time.

Follow a Definite Plan When Explaining an Economic Event. To explain an economic event is to answer the age old questions: What is it? Why is it? What of it?

Suppose you try to explain a one per cent decrease in prices as shown by the consumer price index.

What is it? First, you try to identify with the students the type of price decrease that has occurred. Have all prices decreased or only a few? Was the decrease rapid or gradual? Did wages also decrease? You do your best to determine the distinguishing characteristics of the price decrease.

Why is it? Next, you and the class look for causes, by drawing on available information for clues. If you observe that only the price of meat has decreased, you look for changes in conditions that may have influenced the supply and demand for meat. Perhaps the cattlemen have been raising more beef cattle than the consumers are willing to purchase in the form of cuts for the dinner table -- at a given price, of course. You follow this line of thinking because an analysis of previous experience has shown that an increase in supply or a decrease in demand or both, tends to decrease prices. Thus, you might look for causes such as the amount of government subsidy, changes in consumer demand, or the increased rainfall in the beef-producing sections of the nation resulting in a shorter growing period.

If, however, you observe that prices of clothing, furniture, and most consumer goods are also decreasing, you suggest to the students that they look for changes in conditions that affect the whole price structure: a decrease in government spending or a decrease in the money supply, for example. You do so because previous economic analysis has shown that a decrease in total spending in

an economy without a comparable decrease in the supply of goods tends to affect the total price structure. These, of course, are but a few of the possible causal factors. Many alternatives must be examined to attempt to discover why the event occurred.

What of it? You finally explore with the class the possible implications of the event. Although you can never know definitely what will occur in the future, it is important to determine what is possible, and what is probable; a bare description of an economic event is seldom useful. Are prices likely to continue falling, to level off, or to increase? Will the price decrease result in more sales and increased production? The implications for future prices, production, and employment are what give the price decrease its greatest significance. You should try to determine the implications or potentialities of an event by reasoning out what could follow from it under various conditions. You look for historical precedents. Does past experience with deflation suggest any clues? You also make assumptions for purposes of analysis that certain conditions may or may not prevail -- that the economy will be in a boom or a depression, that war or peace will prevail, that production will expand or shrink with falling prices. Under each of these sets of assumptions about future conditions, you reason through the possible consequences of the price decrease under study.

THE CENTRAL THEMES OF MODERN ECONOMICS

Let us look at the central themes of modern economics which collectively constitute the kind of analytical framework referred to above. These themes can serve as kinds of pegs on which all sorts of practical economic problems can be hung. They can be used as a guide to help one find one's way through the mass of economic information available to us.

1. The Market System of Decision-Making

The first theme is that of the kind of economic system we have in the United

States. The central economic problem in every society is that man has a multiplicity of material wants but is unable to satisfy all of them because of the relative scarcity of the means of production. This fundamental fact of ever-growing wants and limited means gives rise to the need for constant decision-making by both individuals and society as a whole. How shall the limited resources of the nation be used? What shall be produced and in what quantities? How shall what is produced be distributed among the citizens of the country? Every society, whether it be primitive or modern, communist or capitalist, is faced by these basic economic questions. Every society has to develop an economic system -- an organized way of dealing with economic issues -- which will provide answers to them.

In the Soviet Union, the answer to these questions is found through government control of productive resources and through centralized planning of their use. In the United States, on the other hand, we try to operate a decentralized economic system in which all of us participate in economic decision-making as consumers, businessmen, farmers, workers, savers, investors, and voters by making free decisions as to how we will spend our money, what we will produce, where we will work, how much we will save, where we will invest, and how much taxes we will pay. All these individual decisions are registered in the economic institution known as the market. In the aggregate they determine the prices of goods and services. Prices, which are determined by the aggregate decisions of everyone who buys and sells in markets, in turn influence the behavior of each of us as individuals. Our economic system is thus often referred to as a market system or as a "price-directed" economy.

In fact, over the years, the functioning of the market system has been subject to more control as government has assumed responsibility for maintaining economic growth and full employment. This control has been exercised through

democratic institutions.

In summary, young people graduating from high school should know:

(a) The way in which our economic system actually operates to answer the questions posed earlier, and specifically the roles played by consumers, business, workers, and government.

(b) The achievements of our economic system, including our high living standards, the economic growth of our nation, and the fostering of economic security and justice, all within the framework of a free society.

(c) The unresolved problems still facing us, such as monopoly, labor-management relations, inflation, recession, the farm surplus problem, adjustments to automation, etc.

(d) The principal differences between our economic system and those of other important countries, such as communism in the Soviet Union.

2. Economic Growth

The second major theme in modern economics is that of economic growth. Here we are concerned with the ability of a society to increase the output of goods and services so that more wants may be satisfied. Obviously, the whole history of the United States has been one of economic growth. Yet today growth is no longer being taken for granted as something which happens automatically. We are seeking to develop policies to promote it. High School graduates should know:

(a) The factors responsible for economic growth in general and for the growth of the American economy in particular.

(b) Why an acceleration of our growth rate is regarded as an important objective of public policy today.

(c) What sort of problems confront us as we seek to assure a satisfactory rate of economic growth in our country and what sort of policies are available to us to help us achieve this objective.

(d) Why we are concerned with the growth of the less developed countries of the world and what can be done about this problem.

3. Economic Stability

The third major theme in modern economics is that of economic stability. If growth is a long-run problem, stability is a short-run one; for here we are concerned with the ups and downs of the business cycle, the alternating periods of recession and inflation, or what economists usually today call fluctuations in the level of income and employment.

High School graduates should have some understanding of:

(a) The nature of the problem of economic instability and the effect of inflation and depression on our economy and our citizens.

(b) The role of money and banking and how monetary policy can be used to promote economic stability.

(c) The role of government taxing and spending and how fiscal policy can contribute to economic stability.

(d) The changes which have occurred over the years in the structure of our economy and the effect these have had on economic stability.

4. Other Important Economic Topics

The nature of our economic system and the degree of efficiency with which it operates, and the search for economic growth and stability are the dominant themes of modern economics. Our society does, however, have other objectives. The desire for economic security and justice and the problem of reconciling all our economic objectives with one another and with the demands of a free society are all important. So is the area of international trade and finance which, although it is approached with the usual tools of economic analysis, is usually regarded as a quasi-separate part of the economic principles course.

5. Economic Themes in Business Education

Obviously, all the economic topics mentioned here cannot be incorporated into business education courses. Many can, however. But the teacher of business courses should be familiar with the nature of economic understanding and with

the central themes of economics. If he is not, he cannot hope to handle properly those economic topics which can be introduced into the courses he teaches.

UNDERSTANDING THE ECONOMY

Finally, you must become thoroughly acquainted with methods of economic analysis, economic facts, and economic institutions to which you expect to expose your students. The National Task Force on Economic Education, composed of five of the nation's outstanding economists and two of its leading secondary school educators, have described the minimum understanding of economics essential and attainable by high school students. The goal of this group was to provide helpful guidelines for high school teachers. Although you cannot hope, nor should you attempt, to teach all of the understandings outlined in the Task Force Report it is your responsibility to select those that are related to the subjects you teach, and to supplement or integrate them as you see fit.

BOOKKEEPING AND ECONOMIC EDUCATION

From the early beginnings of secondary education in this country up to the present, the study of bookkeeping has been considered by thoughtful educators to be one of the best ways to help young people learn three things: (1) how systematic records form the basis for making economic decisions of businessmen, industrialists, and government officials; (2) how to acquire a marketable skill so that the individual can take his place in business, industrial, or governmental affairs of the country; and (3) how to manage one's own personal business affairs so that income and expenditure are wisely planned.

Bookkeeping instruction must be more than the teaching of recording and fiscal period processes. Instruction in this subject must include methods by which students learn to make decisions regarding the economic problems of a business.

The good bookkeeping course builds upon the knowledges gained by the students in the general business course. The student learns to interpret the financial records of business in terms of such things as: (1) What factors increase or decrease profits; (2) how profits relate to what the proprietor could earn if he worked for someone else instead of taking the risks and responsibility of conducting the business himself; (3) what factors should be taken into account when going into business for one's self; and (4) how to apply good bookkeeping practices to the handling of one's own personal affairs.

Bookkeeping pervades the activities and understandings of all citizens. The housewife who manages the family income, the professional man who needs to know how to handle his business affairs, the individual who must have adequate records for income tax purposes, the voter who participates in electing those who will decide economic policies at all levels of government -- all these would be more intelligent about business and economic affairs if they had a better understanding

of the topics taught in a course in bookkeeping.

While it is true that the doctor, the lawyer, the engineer, the contractor, the school administrator, and the like often employ others to keep their financial records, it is very important for them to know how to interpret these records so that financial decisions and planning can be more effective.

Bookkeeping can also be used to teach about the operation of the economy as a whole. In modern economics, as much attention is paid to macro-economics (the aggregates of the whole country) as to micro-economics (the details of the individual firm and market).

How to Include Economic Understandings in Bookkeeping

The approach to instruction in bookkeeping is an economic approach when the point of departure is the balance sheet. The balance sheet shows a person or a business exactly what is owned and who retains title or equity in the assets of the business. The symbols in bookkeeping and accounting have their roots in our economic system and can become meaningful only if this symbolism is understood.

In the high school bookkeeping course, the primary objective is to teach the principles underlying bookkeeping and to provide sufficient practice in the application of these principles to assure that bookkeeping skills and knowledges are learned.

The economic understanding of students of bookkeeping may be enlarged beyond the present levels achieved through a study of bookkeeping by considering the following:

1. The presentation of the fundamental bookkeeping equation and the balance sheet to develop the concepts related to types of ownership in the American economic system.

2. The study of accounts receivable, accounts payable, bank deposits, checks, bank reconciliation, etc., to develop concepts dealing with money, banking, and credit.

3. The presentation of the income statement to introduce the idea of national income accounting.

The National Income and Product Accounts

The statement was made in the opening paragraph of this section on Bookkeeping and Economic Education that the study of bookkeeping is one of the best ways to help people learn . . . "how systematic records form the basis for making economic decisions of businessmen, industrialists, and government officials." This statement provides an opportunity for a discussion of our system of national income and product accounting, which we use to measure the performance of the economy as a whole.

The concepts of the Gross National Product and the National Income, the initial breakdown of these into their major subdivisions, and the idea of the circular flow of income through the economy could be introduced here. The national accounts are our principal tool for analyzing the problems of growth and stability and determining what policies are appropriate. Teachers of bookkeeping should not limit themselves to business accounting and lose the opportunity of giving a picture of the economy as a whole and how it performs. Having discussed the national accounts, it is logical to make the point that we have national economic objectives, such as growth and stability. The national income and product accounts provide us with the statistical information on which Congress, the Administration, the Federal Reserve authorities, and other policy makers can base their decisions as they seek to achieve these objectives just as business accounting provides the basis for business decision-making.

The Balance of Payments

A second important economic table which can be introduced into a bookkeeping course is the balance of Payments of the United States. This statistical table lists all the international payments made by American citizens and businesses and by the U.S. Government to foreigners and to foreign governments as well as the

receipts from them. Our payments include imports, tourist expenditures abroad, overseas military expenditures, foreign aid, and private business investment abroad. Our receipts come primarily from exports, income from foreign investments, repayment of loans by foreigners, and foreign investments in the United States. When the payments exceed the receipts, as has been the case for some years, the deficit must be met by losing gold to foreign countries and by going into debt to them. The Balance of Payments is a double-entry bookkeeping concept and is an appropriate vehicle for presenting ideas on such topics as international trade, foreign investment, foreign aid, why these are important to the United States and what sort of problems arise in connection with them.

Government Budgets

The budgets of federal, state, and local government can be analyzed not only as a bookkeeping concept of revenues and expenditures but also can be used as a means of explaining what the economic functions of government are in our society, why they have become more important over the years, and what heppens if the budget doesn't balance (increase in national debt, etc.). A budget deficit can mean an investment in the future if the amount of the deficit represents capital expenditures. In recent years the national deficit has been increasing at a slower rate than the national income. One of the problems connected with this fact is the question of whether government or private enterprise should accumulate deficits.

BUSINESS LAW AND ECONOMIC EDUCATION

The functioning of our American economy can be demonstrated effectively through the business law course. Opportunities for increasing economic understandings through this course are numerous. The students in the business law class are usually juniors and seniors who have some appreciation of our business economy and they may possess the ability to think critically.

Some examples of how economic understandings may be introduced into the business law class are presented in the following paragraphs. A unit on negotiable instruments may include the following information:

> A promissory note is a written promise to pay money. A negotiable instrument must contain an unconditional promise. Although no particular words are necessary, the maker must unconditionally order payment.
>
> Words indicating merely a request do not constitute an order to make payment.
>
> A promise or order to pay upon the happening of a certain event or out of a certain fund is conditional and therefore not negotiable.

Credit has been defined by such words or statements as the following: (1) trust; (2) the promise to pay for present goods in the future; (3) the right to future payment; and (4) the act of obtaining goods in exchange for a promise. It is important to know something of the importance of credit as a factor in the American economy since credit is used in about 90 per cent of the total value of all merchandising and banking transactions.

Credit is based on confidence. The extent to which credit is used is limited by the confidence of sellers or lenders regarding the ability and willingness of individuals to pay debts. This might be expanded into a discussion of

the following topics: "3 C's of Credit," (character, capacity, and capital); the different kinds of credit; the use of charge accounts; and installment buying. All of these areas are related to the unit on Negotiable Instruments which often tells the "how" but not the "why" of credit.

Another example concerns the unit on "Property." Most business law texts present such matters as: the methods of acquiring property; the kinds of ownership; the limitations on ownership; and the kinds of real property.

Freedom to own property is quite important in the American economy where property is owned and used primarily by individuals and firms rather than by the government. In our society, the right to own private property is established and maintained by the government. Without government, the right of the individual to own property would generally be only as strong as his ability to keep others from taking his possessions. Federal, state, and local governments enforce property rights (even against themselves and against each other) and, in doing so, they maintain a source of economic incentive for many of the productive activities of the people.

It may be pointed out that the individual may use his property to enhance his own welfare as well as to meet the needs of others. An example of this would be the farmer who grows wheat on his land and sells it at a profit for himself. In promoting his own financial position, the farmer is also promiting the welfare of the community. This leads us to a consideration of consumer demand which ultimately determines the use of manpower and resources in the economy.

Although the business law course may seem to be concerned primarily with technical relationships and processes, such as contracts, negotiable instruments, and bailments, many important aspects of our economic life could be introduced, if a somewhat broader approach were taken.

For example, one of the basic features of the capitalist system is private p roperty and our right as citizens, within the limitations imposed by society, to

own it and use it in order to make a profit. A democratic society can impose limitations on the use of property; for instance, master plans for land use and condemnation proceedings for the uee of property for facilities such as schools and highways. A business law course could teach students much about this. What does the Constitution say about private property? How has our definition of "property" been broadened over the years? Today it means not just real property but also "rights." The word "person" also no longer means just a human being but also a "legal person" created by the law, i.e. a corporation. These legal concepts could be used to get over the idea of a private enterprise profit-making system.

Why has the corporation grown in importance over the years at the expense of the one-man and family-owned business? Mainly because of certain legal advantages such as limited liability of the stockholder, continuity of existence, transferability of ownership, etc. What is the relationship of the stockholder to the corporation? The evolution of the big corporation as a legal entity has resulted in the separation of the function of ownership from the function of control in many large businesses. The stockholders now have legal ownership of the corporation (i.e. they have the stock certificate) and they receive the income from it (the dividend). But the real power is in the hands of those who control the property, i.e. the professional managerial class. What does this development do to our traditional theory of individual initiative and the profit motive?

One noticeable trend today is that pension funds are buying more and more common stock. Indeed, they are now the largest purchasers of stock. For example, over 26 per cent of Sears Roebuck common stock is now owned by the employees pension fund. Since the law has not yet in every case clearly defined the ownership rights of workers who have contributed to pension funds, who really owns the stock is obscure. But who controls it is much clearer; it is the trustees of the

fund who are often bankers.

All this may be a little too sophisticated for high school students but, if manageable, some important current developments, involving both law and economics, could be communicated.

The anti-trust laws could also be used as a vehicle for communicating ideas on the functioning or malfunctioning of the market mechanism. Why were the Sherman and Clayton Acts passed and the Federal Trade Commission established? Why are anti-trust suits brought against well-known firms by the Department of Justice? Why do we consider competition so desirable that we try to enforce it by law? Why do monopolies develop and what are their consequences in terms of the efficient operation of the market mechanism of decision-making referred to earlier? The anti-trust laws in short provide an excellent opportunity for describing our market mechanism and its defects and achievements.

Finally, laws such as The National Labor Relaticns Act and The Labor-Management Relations Act could lead to a discussion of labor-management relations and the role of collective bargaining in the economy. Minimum wage and maximum hour laws represent a modification of the free market mechanism as does the exercise of union organization. Once again we see that a consideration of the law leads us into economic matters.

BUSINESS MATHEMATICS AND ECONOMIC EDUCATION

The purpose of this section is to assist the teacher of Business Mathematics to do a more effective job of teaching, not by bringing into the course additional material unrelated to the subject but by supplementing the course content with background information which will give the students a better understanding of the American economy.

Students are interested in the world around them. By including economic concepts in the business arithemetic course, the teacher can strengthen the economic understandings of the students.

Profit and Loss

Some examples of how economic understandings may be introduced into the business mathematics class are presented in the following paragraphs. The following introductory information and illustration could be included in the unit, "Profit and Loss":

A store owner frequently wants to know the amount of gross profit he is making on a single article or on the quantity of the article sold.

The gross profit is found by subtracting the cost from the selling price.

Selling price - Cost = Gross Profit

The term "cost" means the gross cost; that is, the prime cost plus the buying expenses.

If the cost is more than the selling price, the selling price is subtracted from the cost. The result represents a loss.

Cost - Selling Price = Gross Loss

This presentation would be followed by a similar presentation on finding net profit.

To supplement and relate this information to the American economy, the teacher could present the following economic principle: profit is the reward for initiative and risk bearing. Generally, business mathematics textbooks do not include such principles. The student is told how to determine gross profit and net profit or loss but nothing about the concept of profit and its function in the economy. No mention is made of such ideas as: (1) a businessman may risk his life's savings to go into business; (2) he may have to operate at a loss for a few years in order to establish his business; (3) part of his risk may involve the hiring of employees; (4) more than two-thirds of the national income is distributed as compensation for producing the nation's goods and services; or (5) our business system cannot function without profits.

More could be said about the scope of "profit and loss" in relation to economics, but the point is that the determination of profit by arithmetic computation is only the means to an end -- the idea of profit. Without profit, businessmen would not be willing to exercise the choice of investing his savings or his skills in a business operation.

Plan for Teaching a Unit on Profit and Loss

The following is an economic resource unit which is designed to give the teacher an idea of how to introduce economic concepts in the course in unit on Profit and Loss:

I. Profit is the Reward for Initiative and Risk Bearing

A. A profit can be made only if income is greater than outgo.

1. When used in economics, income refers to money, material goods, and services received or earned during a given period of time such as a year or a month.

2. Outgo consists of such things as: invested capital, additional borrowed funds, rent, salaries, operating expenses and raw materials.

B. The hope of making a profit is necessary to induce enterprisers to undertake the risks of business.

In the American economy, the hope of making a profit is relied upon to induce individuals to undertake the production of most of the different kinds of goods and services that people want to meet their private needs.

C. It is commonly recognized that the American enterprise system has produced one of the highest standards of living in the world.

II. "Profit" Has Many Meanings

A. Competitive profits are profits that are earned by a business or an industrial concern that competes with others in the sale of its products.

B. Monopoly profits are those that are received by a concern that controls the supply or the prices of the goods or the services that it sells.

C. Speculative profits are profits that are made as a result of a change in price after one has bought something -- land, corporation stocks, or merchandise, for example.

D. Gross profit is the difference between the amount that is paid for goods and the amount that is received when the goods are sold.

E. Net profit is the amount remaining after the total amount of all expenses has been deducted from the gross profit. Such expenses include payment for the services, land, and capital belonging to others that

may have been employed in the enterprise.

F. Pure profit is the amount remaining to the owner after an allowance has been made for the use of the owner's own services, his land, and other capital.

III. Sources of Profits

A. Superior efficiency in management.

Some people are better managers than others; they know where, when, and how to buy; how to bargain successfully; how to put new ideas into practice.

B. Imperfect competition.

1. Pure competition seldom, if ever, exists.
2. In order to have perfect competition in the sale of a certain kind of a good, everyone would have to know exactly where he could buy at the highest price, and there would need to be so many buyers and sellers that the amount anyone bought or sold would make no important difference in the market price. Only in rare cases are all these conditions met.
3. Some people develop brand preferences; in these cases, regardless of whether there is any real difference between two or more brands of a product, as long as people think there is a difference the maker has a better chance of selling the product if buyers prefer his brand.

C. Pure monopoly

1. One manufacturer supplying a particular product or service, the price to be charged depending only upon how badly people want the product and their ability to pay for it.

2. There are few cases of absolute monopoly.

D. Luck or chance

1. Landowners not suspecting their land possessed valuable mineral or oil resources -- i.e. discovery of oil.

2. Making large profits because of an unforeseen increase in population -- i.e. large shopping center moving into an area formerly waste or orchard land.

3. Unexpected commercial developments -- i.e. Palm Springs, California City.

Primarily, the person affected did not anticipate the event which brings him profit; he is said to be lucky and his profit is said to be "chance gain". The students should be cautioned, however, that luck may bring losses as well as gains.

Property Taxes

Another example concerns a unit on property taxes and may be stated as follows:

Local taxes. The money needed to pay the expenses of local governments is obtained chiefly from the property tax. Property taxes also provide most of the money needed by county governments and a part of the funds required by some states.

In order to determine the amount to be raised by property taxes, each local tax district makes an estimate of its expenditures for the coming year. This

estimate is called a budget.

An estimate is also made of the income that will be received from other sources such as license fees, permits, and fines. The difference between the total budget and the total miscellaneous receipts is the amount that must be raised by the property tax.

The tax rate is computed by dividing the total tax to be collected by the total assessed valuation.

The following subjects could be discussed for the purpose of adding knowledge and understanding of the economic implications relative to property taxes: (1) the purposes of property taxes; (2) the problem of whether or not the ownership of property is an indication of a person's ability or capacity to pay property taxes; (3) the reasons why property taxes are easy to determine and collect; or (4) the effect of high property taxes on the availability of money for investment purposes.

Similar approaches to other economic understandings can be developed in the units on Sales and Excise Taxes, Income Taxes and Social Security Taxes.

Allocation of funds collected by the government by means of taxes is determined by the voters who must decide which needs, including both private and community needs, have the highest priority. The amount of financial support given to the educational system of a district is a good example of decisions which voters are called upon to make.

Construction of Index Numbers

The statistical device of the index number is used to measure many economic trends, including the movement of consumer and wholesale prices, industrial production, and department store sales.

The Consumer Price Index, for example, could be selected as a vehicle for teaching such arithmetic concepts as the nature of an index number, weighting, and

percentages. But the student will want to know why the cost of living goes up and down and why some items in it, such as the cost of medical care, have gone up more than others in recent years. This could open up a discussion of the problem of economic instability, including the nature and causes of inflation and deflation.

The Federal Reserve Board's Index of Industrial Production could also be used in the same way. Its construction is an exercise in arithmetic techniques. Its short-term fluctuations, e.g. 1960-1961, reveal economic instability. Its long-run rise, e.g. 1945-1962, reveal growth.

Income Distribution Statistics

Income distribution figures often use the concept of the median income. The arithmetic concepts of the median and the mean could be discussed along with such economic concepts as changes in the pattern of income distribution over the years. Why is income more equally distributed than formerly? What role has been played by the progressive income tax, labor union, minimum wage laws, social security, estate taxes, the greater productivity of the economy, etc? How are incomes determined in a market economy? Why does Elvis Presley earn more than your local doctor? This is an exercise in understanding the market mechanism which stems from income statistics.

Rates of Interest

The arithmetic problem of calculating simple and compound interest could lead into such economic concepts as the relationship between common stock yields and bond yields, the rate of growth of the Gross National Product of the United States and other countries, the role of consumer credit in the American economy, and the efforts of the Federal Reserve authorities, the Federal Housing Administration, and other agencies to influence the interest rate structure in order to promote economic stability. The rate of interest is actually the price of loanable

funds (money capital) and such is once again determined by supply and demand in the market -- the capital market. How does the market allocate savings among various uses? Through the capital market.

GENERAL BUSINESS AND ECONOMIC EDUCATION

One of the objectives of the general business course is to develop in the students an awareness and an understanding of the economic system of the United States. It is important that students realize that the nation will remain strong and dynamic only if the American people understand the nature of the American economic system.

An overall view of the American economic system can be given at the beginning of the course. Then, for the balance of the course, those particular aspects of our economy relating to business can be emphasized. The basic idea of free decentralized decision-making in markets by consumers and producers and of the market as the allocator of our resources is fundamental here. This is the place to include the concept of the price-directed economy and of our goal of efficiency in its operation. This is also the place to mention our other economic goals of growth, stability, security, and justice within a framework of freedom.

Consumers' money demands largely determine what is produced. Businessmen, striving to maximize profits, try to produce goods and services which consumers want. The profit motive operating under competitive pressures determines to a great extent how goods are produced, with what kinds of machinery, and with how much labor. Thus, businesses draw productive resources such as labor, land, and machinery into those occupations where they will contribute most to meeting consumer demands. They pay money to workers, landowners, and suppliers of raw materials and services. These incomes, in turn, make it possible for consumers to buy the goods they want. This creates the circular flow of income.

Emphasis should be placed on the fact that our type of economic system is related to our type of democratic political system. The choices made by individuals are important factors in determining the economy of the nation. Some of these

choices include decisions relative to how to earn a living, what will be produced, what proportion of income will go into savings, what goods will be purchased, and what type of investment will be made.

With this overview of our economic system as a background, emphasis can then shift to business subjects. These could include the role of the producer in the market; the way in which business is organized; the effect of business monopoly on economic efficiency; the contribution of business to economic growth through research and increases in productivity; the effect of changes in the level of business investment on economic stability; and the role of business-financed "fringe benefits" on economic security.

The basic points about money which should be brought out are, first, that it permits our system of markets based on specialization and exchange to function; and, second, that it is an instrument for achieving certain economic goals. The principal goals of monetary policy today are economic stability and economic growth. The way in which money is created (by banks making loans), the limits on money creation (the role of bank reserves), and the techniques of monetary management by the Federal Reserve are in a sense technical matters which hang on the central theme of monetary policy.

FORMS OF BUSINESS ORGANIZATION

Businessmen have freedom to choose or adopt the form of organization which assists them in organizing their activities. In our American economic system the four basic forms of organization follow: (a) sole proprietorship; (b) partnership; (c) corporation; and (d) cooperative.

A. You desire to start a lawn-mowing service for the peop'e on your block and they are interested in receiving this service.

   1. Is this a form of business?

   2. What kind of organization is this?

3. Who receives the benefits from your services?
4. Who makes all the decisions for the business?
5. Who receives all the profits?*
6. What capital investment would be necessary, if any?
7. If additional people wish you to cut their lawns how may you increase productivity if you are using every available hour at the present time?
8. If while mowing the lawn you knock over an expensive marble statute of Venus worth $300, who is liable for the damages and to what extent?
9. Of the four types of business organization, which best fits the above business?
10. Your business was so good that you added assets of a power mower, power edger and also purchased a new $4,000 sports car for your pleasure. During the following week, the power mower runs wild and destroys the employer's favorite petunia bed, knocks over an expensive antique vase, cuts off the tail of the pet cat and puts a dent in their new station wagon. You are sued for damages that amount to $525. Your power mower and edger are worth $100. What are your liabilities for the damages incurred, if any?
11. If the lawn-mowing service requires more cash than you can afford for the original capitalization, what are some of the ways you may obtain it?

B. You now desire to branch out into the area of landscaping and other aspects of the lawn care business. You find this will entail advertising,

* All underscored words should be defined.

plant knowledge and purchasing, more detailed accounting records, etc. You decide to ask some friends who are specialists in these areas to join you in the business.

1. What kind of organization is this?
2. Who receives the benefits of your services?
3. What capital investment would be necessary?
4. Who makes the decisions?
5. How are the profits distributed?
6. If your business goes bankrupt and after selling all you own you still owe $10,000, what would be the liability of each part owner if there were four? What if one of the part owners had no money to contribute toward the liability?

C. You now find business so wonderful that you need a new warehouse, office, and additional trucks to take care of the increased business in lawn care, landscaping, etc. You have a problem of raising money and desire to sell stock in the business.

1. What kind of organization is this?
2. Who receives the benefits of your services?
3. What steps are necessary to raise money by selling stock? May any business arbitrarily decide to sell stock?
4. How are profits distributed in this type of organization? Are all profits distributed?
5. Who owns the business?
6. Who makes the decisions in this type of organization?
7. What is the role of the stockholder in relation to the functioning of the corporation?
8. If the company goes bankrupt and is unable to pay $50,000 to

its creditors, what would be the liability of each stockholder if there were 100 stockholders?

D. You decide to find some way to have more weekends available for trips without having to stay home and mow your lawn every Saturday or hire someone to do it for you. Seven of your neighbors would also like to find a solution to this problem and you all agree to take turns mowing all eight lawns when your turn arrives. This plan enables you not to have any lawn mowing except once every two months and be able to leave for weekend trips on Friday night.

1. What type of organization is this?
2. Who benefits from the services?
3. What policies should be formulated?
4. Who decides the policy in this type of organization?
5. The organization pays for an $80 power mower by dividing the cost among the members. One of the members accidentally let the mower run rampant and inflicted damages to a neighboring piece of property to the extent of $100. What is the liability of the organization, if any? What is the liability of the individual, if any?

MONETARY SYSTEM AND FEDERAL RESERVE SYSTEM

Only a minor part of the total transactions that go on day by day is settled by payment of currency. At least 90 per cent or more are settled by a transfer of deposits by check. Checks are now the main method of payment to wage earners. The pay checks are deposited in banks and other checks are written for things which wage earners buy. Of course some checks are exchanged for cash, but the majority of money remains in the bank to be spent as checkbook dollars.

How much currency, then, must a bank keep on hand? People usually use currency for smaller purchases. Even the smaller purchases at department stores are now in many cases lumped together and paid at the end of the month when the charge account statement is received. What would happen if people withdrew more currency at the same time? It should be remembered, however, that the more money people draw out of the bank, the more they will spend, and the more other people will bring back. The amount of currency needed is increased at Christmas and other similar periods of time when people are making more expenditures of the kind that requires currency.

The bulk of expenditures are made by the transfer of funds by check. Deposits to cover these checks may come into existence when banks make loans to customers. For example, if a person wants to borrow money to buy a car or a new home or if a businessman wants to borrow money to purchase goods they may go to the bank for a loan. After the bank agrees to make the loan it sets up a checking account which can be spent by writing checks. The banks, therefore, create money by providing funds to be used for the purchase of goods and services.

The Federal Reserve authorities are responsible for formulating and executing monetary policy. This means that they try to regulate the amount of money which our banking system creates in such a way as to promote growth and stability.

The size of the required reserve which banks must deposit in the Federal Reserve Bank determines how much money the banking system can create by making loans.

Questions for discussion:

1. Where does a bank get the funds with which it meets daily withdrawals?
2. How much reserves must a bank maintain?
3. Why are banks required to keep minimum reserves?
4. Could banks lend and invest if they kept 100 per cent reserves?

5. What do the reserve banks do? How do they affect banks' reserves and their ability to lend?
6. Why is there a profit made when the Treasury produces new coins -- the profit being known as seigniorage?
7. During periods of inflation and recession, how do we try to regulate the amount of credit available?
8. Is it wise to make credit terms more liberal during periods of recession?
9. Why is credit important to the economy of the United States?
10. What is a safe ratio of credit for the average family?

Topics for discussion:

1. Nature and functions of money.
2. Creation of credit by commercial banks.
3. Control of the money supply by the Federal Reserve System.
4. Impact of inflation and recession on our economy.

PRODUCTION OF GOODS

Production of commodities and services required for everyday living involves four main factors. These factors are as follows:

a. Natural resources
b. Labor
c. Capital
d. Management

The improvement in the use of these factors is responsible for increased productivity. It is only because of increased productivity that American industry has been able to achieve the tremendous rate of production. The measurement of productivity for the whole economy is national income (Gross national product minus capital consumption) divided by man-hours of labor. In our complex economy, it is often difficult to know what is responsible for an increase in productivity since any one or a combination of such factors as better equipment, management, transportation, and labor may be the cause of the increased productivity.

The following problems illustrate the effect of increased productivity on real income:

1. A man has a salary of $90 a week and receives a 7 per cent raise. If the cost of living remains the same, what is the effect on his real income?
2. A man has a salary of $50 a week and receives an increase in pay of $25 weekly making a total paycheck of $75. If the cost of living increases 25 per cent, what is the effect on his real income?
3. One person repairs watches, another raises ducks, and a third person sells clothing. Each person sells to each other and to the man down the street -- a retired elephant trainer living on social security. If the person raising ducks is convinced that he is working too hard and raises fewer ducks while at the same time increases prices to make up for his lost income, what might occur as a result of the price increase by one man? Is the increase in price evidence of increased productivity on the part of the man raising ducks?

Questions

1. How can full employment be maintained in our economy with more automatic machines being installed?
2. What is the source of capital investment in production tools?
3. Is it fair for management to pass on increasing costs of production to consumers?
4. Is a supply and demand chart of interest to producers?
5. Why is the price of an economic good sometimes out of proportion to its production cost?
6. Does an oversupply of production goods drive a price down?
7. Productivity and production are different in which respects?

Topics for discussion:

1. The effect of changes in demand for goods and services.
2. Accumulation and use of capital through savings and investment.
3. Labor problems related to production.
4. Conservation of natural resources.
5. Impact of automation on labor.

MERCHANDISING AND ECONOMIC EDUCATION

Merchandising and retailing courses in the high school include certain principles of marketing. Marketing is that part of an economy which directs the movement of goods and services from producer to consumer.

It is important that students have some understanding of the many marketing activities which take place in distributing goods from the manufacturer to the consumer.

Our system of distribution is very complex. Goods flow through a variety of channels on the way to the consumer market. Manufacturers must determine the most efficient channels of distribution for their product in order to remain competitive.

Competition takes many forms. The different forms of competition are found in the various philosophies of merchandising or marketing. Stores distributing similar merchandise may use entirely different methods and means of appealing to customers. Clothing, for example, may be mass merchandised, sold by self-service or emphasize high style.

One of the important considerations in marketing is that of market research. Market research assists (1) in the determination of market potential, (2) in the testing of consumer reactions, and (3) in the determination of the relative efficiency of alternate systems of distribution.

Some of the government agencies that are concerned with market research are the U. S. Department of Agriculture and the U. S. Department of Commerce. In addition, there are a number of private agencies such as A. C. Nielsen and Brookings Institution which participate in market research.

Our economy is essentially a free market price system. Certain factors, however, limit the operation of this pricing mechanism. There are several basic principles which interact in the pricing of goods: (1) generally, people will buy

less of an item at a higher price than they will at a lower price, and (2) producers will supply more of an item at a higher price than they will at a lower price.

Sales promotion involves both advertising and display. As a consumer in the American economic system, the student has been exposed to various sales promotions through radio, newspaper, and television. Because of the increasing number of new products on the market each year, the consumer is becoming more dependent upon the service rendered by persons in the distributive field.

Specific Relationships of Economics to Merchandising

Before manufacturing a product, the market is researched and the product is designed so that it will be sold. There are several elements in the marketing of a product that have economic implications. Some of these are: price, sales promotion, distribution, and financial stability.

Before the price is set consideration must be given to the method of distribution and promotion. This function involves people who must have knowledge of the various over-all problems of marketing the product. Distribution and sales people must be just as skillful as production personnel. In short, everyone who works in a company carries a great deal of responsibility for its success.

With the product produced, marketed, and sold, there remains the problem of fiscal accountability. Is a profit being made or a loss incurred? The facts and figures of business records now enter the picture. The mathematical procedures for determining profit or loss are covered in bookkeeping and in business mathematics. The results of these calculations are used by the businessman in determining merchandising policies.

The establishment of price is tested by the income from sales and the subtraction of the cost of doing business from the sales income. The gross profit that results must meet further subtraction before arrival at net profit. The

story of competition has its effect on the ability to produce and distribute with greater efficiency and with a resulting rise in the standard of living.

In the section which follows there are some units and teaching suggestions to help a student gain a better understanding of the role of marketing in economics.

I. How Businesses Are Organized

A. Specific Objectives

1. Appreciation of the interdependence of the various sizes and types of business in America.
2. Develop an understanding of the various types of business entity and be able to identify them.
3. Develop understanding of the methods of financing the business operation.
4. Develop awareness of the dynamic nature of our economic system and some of the effects of its changing nature.

B. Teaching Suggestions

One approach to this topic would be to assign students a research project in which they list the types of businesses found in the local shopping center and the type of organizational structure used by each one. The discussions that follow the reports on the topic can bring out the specific objectives of the unit. To avoid meaningless discussion, the teacher should assign the questions relating to the topic in advance. Collateral reading may be assigned to help guide the students to successfully complete the assignment.

II. How Our Business Works with Government

A. Specific Objectives

1. Appreciation of the role of government in our economic system.

2. Appreciation of the interrelationships between the various levels of government and the business community.
3. Understanding the concept of legal monopoly.
4. Appreciation of the personal and social values of property rights.

B. Teaching Suggestions

By keeping a file on magazine articles, news clippings, etc., the teacher can have resource material for this unit which is both meaningful and interesting. With a little effort this file could be kept reasonably current so that the timeliness could give additional force to the effectiveness of the teaching situation. Also, the teacher could have the students identify as many levels of government as they can. By skillful leadership, this type of discussion can bring out the relationships existing between these levels and business.

III. How We Pay for Government Services

A. Specific Objectives

1. Understanding the relationship between government services and taxes.
2. Understanding that although direct tax sources vary, almost everyone is affected in some way.
3. Appreciation of the effect of current business conditions on the ability of the people to support government services through taxation.
4. Developing an interest in governmental activities, especially financial management.

Teaching Suggestions

For this unit, current events are the best source of ideas, materials and projects for this topic. The best method for the teacher to keep informed on new developments regarding this resource unit is by reading the Wall Street Journal, Business Week, etc. By being a well-informed citizen, the teacher should have timely and interesting material at his fingertips.

The local community is also a fine source of related material. Reports by business and city officials could be given. Local tax methods could be explored.

SHORTHAND, TYPEWRITING, BUSINESS ENGLISH AND ECONOMIC EDUCATION

Courses in shorthand, typewriting, and business English offer opportunities to incorporate economic topics in the practice materials used in these subjects.

These courses do not offer the same opportunities to incorporate economic topics related to the subject matter as the other business education courses included in this publication. However, practice materials consisting of economic subjects could be used in shorthand, typewriting, or business English courses. Although students will not have an opportunity to investigate in depth the topics included, they will be given an opportunity of becoming aware of economic principles and of the importance of studying economic problems and issues.

Economic topics could be used in shorthand as the subject of either letters or articles dictated to the students. During the preview of the dictation, a brief explanation could be made and discussion could be held for the purpose of calling attention to certain economic principles, problems, or issues and for defining terms.

Practice material consisting of economic topics could be used in typewriting for timed-writings and for composition at the typewriter. Occasionally, brief discussions should be held which would result in bringing to the attention of the students the economic problems and issues included in the assignment.

Economic problems and issues could be the subject of themes and talks in the business English course. Words used in the themes or talks could be the source of spelling lists and definitions.

Teachers could develop their own materials or they could use materials from such sources as books, pamphlets, magazines, newspapers, and radio and television programs. Cooperation with teachers of courses such as history, economics, general business, business law, or business mathematics would be an appropriate method of deciding what kind of material to include in practice material in shorthand, typewriting and business English courses.

SELECTED SOURCES OF MATERIALS IN ECONOMIC EDUCATION

Annotated Bibliography of Materials, Joint Council on Economic Education,* $.50.

Business and Economic Education for the Academically Talented Student, National Business Education Association and National Education Association, 1201 Sixteenth Street, N.W., Washington 6, D.C., $1.00.

Curriculum Resources, Inc. Series. Scott-Foresman, 433 E. Erie Street, Chicago, Illinois 60611.

Economic Education in the Schools, 1961. National Task Force on Economic Education, Committee for Economic Development, 711 Fifth Avenue, New York, New York 10022, $1.00.

Economic Literacy Series, McGraw-Hill Book Company, 330 West 42nd Street, New York, New York 10036.

Education for Economic Competence, 1960. Association for Supervision and Curriculum Development, 1201 Sixteenth Street, N.W., Washington, D.C. 20036.

Farrow, Phyllis. Creating An Awareness of Economic Principles Through a Series of Transcription Letters, 1961. Prepared at the University of Vermont Economic Education Workshop, 20 pp., $.50. Joint Council on Economic Education.

Frankel, M. L. Economic Education, 1965. The Center for Applied Research in Education, Inc., 70 Fifth Avenue, New York, New York 10011. 118 pp., $3.95.

Garrison, Lloyd L. Syllabus for Teaching Economics in the High School General Business Course, 1964. Prepared by the Commonwealth of Pennsylvania, Department of Public Instruction, 40 pp., $1.00. Joint Council on Economic Education.

Leamer, Laurence E. and Percy L. Guyton. Suggestions for a Basic Economics Library, 1965, 64 pp., $.75. Joint Council on Economic Education.

100 Selected Films in Economic Education, 1960. Joint Council on Economic Education, $.75.

Smith, Harlan M. Study Guide for Selected Sixty-Session Series of The American Economy TV Films, 1964. 305 pp., $1.50, Joint Council on Economic Education.

Study Materials for Economic Education in the Schools, 1961. Committee for Economic Development, 711 Fifth Avenue, New York, New York 10022, $.50.

Suggested Procedures and Resources for a Minimum Course in Economics, 1962. Prepared by the Commonwealth of Pennsylvania, Department of Public Instruction, 40 pp., $1.00. Joint Council on Economic Education.

Teachers Guide to Developmental Economic Education Program (in two parts). 1964.
Part I Economic Ideas and Concepts, 46 pp., $.50.
Part II Suggestions for Grade Placement and Development of Economic Ideas and Concepts, 95 pp., $1.00.
Produced by the Joint Council on Economic Education.

Teachers Guide to Economics in the Business Education Curriculum, 1962. Published by Joint Council on Economic Education in cooperation with the National Business Education Association, 96 pp., $1.25.

Teaching Business Law in the Seattle Public Schools, 1958. 56 pp., $1.00.

Teaching Economic Understandings in Business Courses - A Report of a Workshop, 1962. Joint Council on Economic Education, 33 pp., $.50.

Test of Economic Understanding, 1963. Review Set, published by Science Research Associates, Inc. Joint Council on Economic Education.

The Bulletin of the National Association of Secondary School Principals, Vol. 49, No. 304, November, 1965.

This We Believe About Business Education in the High School, United Business Education Association, 1201 Sixteenth Street, N.W., Washington, D.C. 20036.

* Joint Council on Economic Education, 1212 Avenue of The Americas, New York, New York 10036.

SELECTED BIBLIOGRAPHY IN ECONOMIC EDUCATION

Bach, G. L. Outcomes in Developing Economic Literacy on the Senior High School Level, National Business Education Yearbook, 1963.

Bangs, F. K. Basic Business: A Springboard to Economic Education, Business Education Forum, March, 1962.

Beckner, C. Whatever You Call It; Teach Economics! Business Education World, September, 1965.

Bibliographical Report of the Kansas Economic Resources Center. Issued by Kansas State Department of Public Instruction, 1964.

Bolton, D. L. Some Economic Concepts Pertinent to Education. American School Board Journal, August, 1965.

Brunswick, Ann F. Evaluation of College of the Air Course, The American Economy, on the Basis of A National Survey of High School Social Studies Teachers, National Opinion Research Center, University of Chicago, November, 1964.

"Business Administration and Economic Education." National Business Education Quarterly, December, 1964.

Case, E. Progress Toward Economic Literacy: Invitation to Learning, National Association of Secondary School Principals Bulletin, March, 1965.

Coleman, J. R. Second Thoughts on Economics in the Schools. Education Digest, May, 1965.

Darcy, R. L. Economic Education for Teachers: The Preservice Program, National Association of Secondary School Principals Bulletin, November, 1965.

Economic Topics, Thirty Articles from the Newsletter 1959-1964. Joint Council on Economic Education, 2 West 46th Street, New York, New York.

Frankel, M. L. Education for the Economic Challenges of Today and Tomorrow, National Association of Secondary School Principals Bulletin, November, 1965.

Garrison, L. L. Economic Concepts Can Be Taught in the General Business Course, Business Education Forum, March, 1964.

Garwood, J. D. Need for Economic Education, School and Society, October, 1964.

Guidelines for a Course in the Principles of the American Economy, California State Department of Education, Sacramento, 1964.

Kastner, H. H. Economics for the Business Educator. The Balance Sheet, March, 1965.

Lang, C. L. Education and Economic Development, Phi Delta Kappan, May, 1965.

McMurtry, D. C. Business-Economic Education in the Secondary School: A Philosophy The Balance Sheet, October, 1964.

Oliverio, M. E. World Economics and Business Education. National Business Education Yearbook, 1964.

Ouellette, V. A. Economics in Business Education, California Education, October, 1964.

Petrello, G. J. Do We in Business Education Know Our Economic A,B,C's? The Balance Sheet, October, 1965.

Scoville, W. C. Economics in the High School, The Balance Sheet, March, 1962.

Selakovich, D. Are We Flunking Economics? The High School Journal, November, 1962.

Stephanson, E. M. Economic Understanding: Why, What, How, The Teachers College Journal, December, 1961

Tonne, H. A. Economics and Business Education, Journal of Business Education, October, 1965.

Warmke, R. F. Relationship of Economic Education to Distributive Education, Business Education Forum, December, 1964.

APPENDIX A

GENERALIZATIONS FROM ECONOMICS*

Overview

Economics is concerned with analyzing information, issues, and public policies connected with the production, distribution, and consumption of wealth and income. This discipline begins with the study of scarcity and unlimited wants and proceeds through specialized production, interdependence, exchange, markets, prices, costs, and public policy. Emphasized are economic stability and growth; the allocation of resources to their most important uses; an equitable distribution of income; and, in our economy, a wide range of economic freedom for workers to choose their jobs, consumers to choose goods, and investors and entrepreneurs to own property and choose their investments.

All problems that may properly be termed "economic" must be considered in these categories whether they originate in capitalist, socialist, facist, or communist countries. Economic theory has been defined as "a method rather than a doctrine, an apparatus of the mind, a technique of thinking which helps its possessor to draw correct conclusions." The study of economics is thus important to the individual and society for both the knowledge which it provides and the thinking processes which it requires. Valid information about our economy and the ability to use it effectively are indispensable to effective citizenship in assessing many of the most pressing public issues of the day.

Consideration of specialized areas in economics must be based firmly on this approach. Included in economics are the study of money and banking, business

---

* Social Studies Framework for the Public Schools of California. Prepared by the State Curriculum Commission, June, 1962.

cycles, public finance and taxation, industrial organization and public policies toward business, labor-management relations, accounting, finance, statistics, consumer economics, international trade and finance, economic growth and development, and comparative economic systems.

Economic Ends and Means

1. Economic welfare is a goal in most, if not all, modern societies. It is believed that it is beneficial for people to have more rather than fewer economic goods and that poverty per se is not desirable. Many economists believe that economic welfare is an important quality of society; that economic progress makes the other qualities of society more readily obtainable; and that the creative arts--such as painting, music, and literature--flourish more fully in a highly productive economy.
2. Productive resources are scarce, and human wants are unlimited. Since man cannot satisfy all of his desires for material goods, he must make choices. The essence of "economy" lies in making wise decisions with regard to such matters as saving, spending, purposes of expenditures, kinds of investments, and types of jobs to be undertaken. The "real cost" of any end product is thus the alternatives sacrificed in producing it. This is known as the "opportunity co[illegible]t principle."

The Gross National Product--A Measurement of Economic Achievement

1. The size of the Gross National Product (consisting of the total value of all economic goods--products and services--produced annually) depends upon many conditions. Among these are (a) the extent and richness of natural resources; (b) the number, quality, and motivation of the working population; (c) the amount and nature of capital goods (factories, houses, bridges, roads, machines and tools of all kinds) created through saving and investment; (d) the effectiveness of investors and entrepreneurs in

organizing and developing productive activity; (e) the existence of a large free-trade area, in which the free flow of goods permits each locality to specialize in the production of those goods in which it has the greatest relative advantage and to obtain other goods by trade (the "principle of comparative advantage"); and (f) the presence of political institutions that are conducive to and encourage creative and productive effort on the part of all people. To maintain the conditions upon which high productivity (and consequently our high standard of living) depend, conservation must be practiced.

2. The size of both the GNP and population greatly influences economic welfare. This welfare depends upon the balance between population growth and depletion of resources and upon improvements in production techniques and expansion of capital goods. When population growth exceeds the capacity of the land and capital goods, output per worker declines unless there are compensating improvements in technology. This principle is known as the "law of diminishing returns."
3. The full use of productive facilities directly influences economic welfare. Fluctuations tend to be more severe in industrially advanced nations than in those that are primitive. In the former, specialization and complexity are vastly greater, shifts in demand and changes in techniques are more frequent, a larger proportion of resources are devoted to the production of durable consumer and producer goods, and substantial changes in the volume of investment expenditures are dependent upon the people's desire to save a fairly stable part of their incomes.
4. Government can contribute to the maintenance of high-level production and employment, rapid economic growth and progress, and the stability of the

dollar by proper use of its authority through sound fiscal and debt-management policies.

5. High per-capita income is the result of high productivity of labor. The total income of a society is its total output of goods. Therefore, if American labor is ten times as productive as foreign labor, American wages can be ten times as high without curtailing the ability of American industry to sell its products in world markets. High wages thus rest on high productivity, not on tariffs.

The Composition of Income--The Allocation of Resources

1. Basic to sound economic organization is securing effective cooperation among specialized producers. The type of economic system determines how much of each commodity and service is to be produced and how each resource unit is to be allocated to its most important use.
2. In a competitive, private-enterprise system, prices indicate the relative value of goods and services. On the one hand, these prices reflect the willingness of buyers to buy and sellers to sell; and, on the other hand, they influence the decisions of both consumers and producers. A relatively high price tends to restrict present consumption and to stimulate production of a larger supply in the future. A relatively low price has the reverse effect. Raising or lowering a competitive price by artificial means, whether by private monopoly or governmental authority, is likely to aggravate the situation that the action is designed to alleviate, unless the change in price is accompanied by the power to affect directly future demand or supply in an appropriate manner.
3. A market price system works best when both buyers and sellers are highly competitive, well informed, and able and disposed to act in accordance with the information available (competition--knowledge--mobility). Thus,

a free-enterprise system is supported and strengthened by government action designed to keep markets free (antitrust policy), buyers and sellers informed (prohibition of false advertising and laws against misrepresentation), and the system mobile. At the minimum, government must maintain order and justice, protect property, enforce contracts, and provide a sound money system in some fields if free enterprise is to be effective.

4. Because of special conditions in such fields as public utilities, government has been authorized to regulate prices to assure that they are not discriminatory. The quality of service rendered by electric power, gas and telephone companies has also been regulated. In some cases, the government has directly undertaken the provision of services such as those required in the operation of post offices and distribution of the water supply.

5. There are many ways to organize economic activity. Most national economies in the world today, though differing in fundamental respects, make considerable use of the price system to ration goods, providing incentives for productive services, and allocate resources to their best uses. A free society provides opportunity and incentives for the individual to invest what he owns in an effort to make a profit.

The Distribution of Income

1. In a competitive system, the prices paid for productive services also serve to divide the total output of goods among those responsible for their production. Thus, the wages of workers, the dividends of investors, and the rents of landlords all provide the incomes that determine the size of each individual's claim to actual goods and services.

2. In a competitive market, each productive agent tends to receive as income a sum equal to the value of his productive contribution to society. The

greater the demand of the public for the particular service or product and the smaller the supply, the larger is the income. Those possessing the greatest skills demanded by the public tend to receive the highest incomes. Inequality in the distribution of income thus is the result of unequal payments for services and of unequal ownership of property. At the same time, the opportunity to acquire a larger income furnishes an incentive to develop individual abilities, to save and acquire property, and to use resources most efficiently and productively.

3. Imperfections in competition create important public problems. The power of monopoly, whether exercised by buyers or sellers, management or labor, or private groups sometimes supported by government, usually distorts the allocation of resources and distribution of income.

4. The way to improve the standard of living for all the people is to increase productivity. Such has been the tremendous economic achievement in the United States. Industrial output per man-hour has increased six times since about 1850. Half of this gain has been realized in shorter hours (and more leisure) and half in more goods. Thus, the average length of the work week has been reduced 50 per cent and, at the same time, real income per capita has tripled. The grinding poverty in which a large part of the world's population lives today is caused by the sheer unproductivity of human labor, not by deficiency in purchasing power or imperfection in the distribution of income.

Summary

Since the world's resources are insufficient to satisfy all wants, the study of economics, both theoretical and applied, is essential to the general education of all people. The individual makes economic decisions throughout his life. Through voting and other types of community participation, he helps to decide problems involving the economic welfare of all people.

APPENDIX B

THE AMERICAN ECONOMY

Proposed One Semester Course

The American Economy is a one-semester course designed for the high school. A syllabus for the course was developed through the cooperation of the California State Department of Education, the Northern California Council on Economic Education, and the Southern California Council on Economic Education. These organizations secured the services of Dr. Norman Townshend-Zellner, Chairman of the Department of Economics, Fullerton State College who wrote the syllabus with the assistance of Dr. Sylvia Lane, Fullerton State College, and Mark D. Lit, Fairfax High School. The syllabus from which the accompanying outline is adapted is published by the California State Department of Education.

This material which will form the basis for this one-semester course in Economics is composed of nine units. Following is a brief description of the purposes and the major ideas developed in these units.

Unit 1 contains an introduction to the general idea of economic problems which must be solved; and the necessity of a rational objective approach to the solution of these problems using economics as a tool of understanding.

In Unit 2 the student has an opportunity to compare economic systems at three different stages of development -- nonliterate, less developed, and mature economies. In this unit the student is building an awareness of what makes the United States economic system so productive.

The purpose of units 3, 4 and 5 is to help the student to understand the basic framework and relationships of the economic system of the United States. Relevant economic concepts and principles are introduced which give students an idea of major problem areas. Unit 3 includes two subjects which illustrate the role of the individual in the American economy. The two subjects, identified as major learning experiences, are insurance and consumer budgeting. Unit 6 includes

consumer credit as a major learning experience.

Material presented in units 6 and 7 is designed so that the student will learn how the economic system operates and how to solve basic economic problems. In these units the student learns how the private enterprise, competitive market, and price system operate to determine what the economy shall produce, how it shall be produced, and for whom.

Included also in this section is a consideration of two aspects of the operation of the United States economy: (1) the level of spending and effective demand in the system; and (2) the operation of the monetary and banking system.

Unit 8 includes material to enable the student to understand the problems arising from the interdependence of the U.S. economy with the world economic system.

In addition to these nine units the syllabus will include additional selected learning experiences and selected bibliographies of reference materials.

The following pages contain an outline of the nine units included in the syllabus.

THE AMERICAN ECONOMY

Outline for a Proposed Course in Economics
by
Dr. Norman Townshend-Zellner

UNIT ONE

THE WORLD OF ECONOMICS: PURPOSES, METHODS, AND OVERVIEW (DEVELOPMENT OF MODEL 1)

I. Purpose of course -- to develop.

   A. Economic understanding

   B. The ability to reason intelligently and objectively about economic issues and problems.

II. Methodology involved in the course.

   A. Identification of:

      1. The economy
      2. Economic results, or outcomes
      3. People, or society

   B. Economic issues and problems are generated out of the economic results, and confront people at personal, local, state, and national levels.

   C. Attention, time, effort, and resources are directed to solving problems through problem-solving activity, involving goals and policies.

   D. Economic problem solving via a 5-step, rational, objective approach.

      1. Define and gain insight into the nature of the problem.
      2. Define goals and objectives in terms of the problem.
      3. Elicit and define alternative policy solutions.
      4. Define and analyze consequences of alternative policy solutions in terms of goals and other effects of achieved goals.
      5. Choice of best policy solution.

   E. Obstacles to intelligent, rational, economic problem-solving: ignorance and emotions.

      1. How ignorance and emotions block intelligent, rational problem-solving, in general, and in each of the five steps.
      2. Solution: detect, remove, and replace with intelligent, rational, problem-solving activity.

   F. Role of Economics and economic understanding and analysis as a tool in economic problem solving.

      1. A technical extension of rational, objective economic problem solving.
      2. Definition of economics as a social science.

3. How economics was developed (scientific method).
4. Usefulness of economics in understanding, prediction, and control.
5. How, specifically, economics and economic understanding can be used in each of the 5 steps in problem solving.

III. The world of economics (or the economy) as an economic system.

A. The notion of "system" as fundamental to understanding the world of economics, and crucial to intelligent, rational, problem-solving activity.

1. Definition of "system" as a group of interrelated parts that, in some sense, is a complete whole in itself.
2. Using the notion of "system" as an intellectual tool in economic problem solving, and its specific relation to our 5 steps of rational problem solving.
3. Intelligent thought and systems thinking; abstraction of a system for rational problem solving; specific examples.
4. Dangers in abstraction of a given system for problem solving.

B. The economy as our entire economic system -- abstracted from our entire social system:

1. The economic system is an intellectual abstraction.
2. The economic system is interdependent with all other activities and decisions of people -- e.g. political, social, religious, legal, philosophical, etc.

IV. Studying the economic system -- A first model explaining how the system works.

V. How the student fits in the economic system.

UNIT TWO

ANALYSIS OF ECONOMIC SYSTEMS IN SELECTED STAGES OF DEVELOPMENT: NONLITERATE, LESS DEVELOPED, AND MATURE ECONOMIES

I. Purpose in using comparative approach.

A. Usefulness per se, in understanding other economic systems (e.g., the economic systems of underdeveloped countries).

B. Prevention of incorrect generalization from the U. S. economic system; prevention of ethnocentrism.

C. Create perspective and insight to enhance understanding of our own economic system.

II. Three nonliterate, tradition based, prescientific cultures, and the nature of their economic activity.

III. Economic systems of the less developed countries.

IV. Economic systems of the mature, technologically advanced, highly developed countries (use of Model I).

UNIT THREE

THE UNITED STATES ECONOMY (ECONOMIC SYSTEM) DIMENSIONS, ASPECTS, AND OVERALL MODEL II

I. Purpose

   A. Develop a more detailed Model II -- to help student understand the economy. (Model II will be an expanded, detailed version of the "circular flow" model).

II. The public, or people.

III. The economy's resources, their ownership and organization.

IV. Dual role of people in the economic system -- as consumers and producers.

V. Economic organization of consumers and preliminary analysis of consumption.

VI. Economic organization for producers and preliminary analysis of production.

VII. Leisure, and the trend to leisure as an alternative to production.

VIII. Key role of the entrepreneurial factor in production and employment.

IX. Specialization, exchange and money.

UNIT FOUR

THE UNITED STATES ECONOMY (ECONOMIC SYSTEM) DIMENSIONS, ASPECTS, AND OVERALL MODEL II (CONTINUED)

I. Key dynamics of the economic system: Roles of incentive, reward, choice control and risk.

II. Market and price system (subsystem).

UNIT FIVE

THE UNITED STATES ECONOMY (ECONOMIC SYSTEM): DIMENSIONS, ASPECTS, AND OVERALL MODEL II (CONTINUED)

I. Savings.

II. Financial institutions.

III. Investment.

IV. Savings, financial institutions and investment: Model II-A.

V. Government.

UNIT SIX

OPERATION OF THE U. S. ECONOMIC SYSTEM: WHAT SHALL BE PRODUCED? HOW SHALL IT BE PRODUCED? AND WHO RECEIVES WHAT IS PRODUCED?

I. The major area of concern in Unit Six.

A. To explain how the U. S. economic system operates to solve three basic problems it (and every other economic system) faces:

1. What shall the economy produce and (the other side of the same coin) how shall it allocate its resources?
2. How shall the economy produce? What methods of production and combination of factors shall be used?
3. For whom shall the economy produce? How shall total production be distributed, divided, or split up among the people?

B. To explain the operation of the economic system in two distinct phases:

1. How the competitive, private enterprise, market and price system operates to solve these questions (excluding the role of government). What are its virtues? What fundamental problems are generated by the operation of the private enterprise system?
2. What modifications and additions to the private enterprise system have been developed through government (federal, state and local)? And how do these operate to meet the problems and preserve and enhance the virtues of the private enterprise system elements?

C. To consider briefly the special cases (in this general area) of agriculture, labor, and economic security.

II. Detailed analysis of how the competitive, private enterprise market system operates to solve:

A. What shall be produced?

B. How shall goods and services be produced?

C. Who gets what is produced?

III. The strategic importance of effective competition in markets to enable the private enterprise market-price system to work well in solving the above problems.

IV. Analysis of the elements of competition to determine what it is that contributes to effective or ineffective competition in markets.

V. By using the market classification scheme and analyzing the degree of ineffective competition in a given market, we can anticipate the degree of distortion in the way that market operates to solve the three basic questions considered in this unit.

VI. A close look at demand and supply in markets with highly effective competition (many buyers and sellers, no product differentiation, freedom of entry, effective information); how price is determined in such markets; and how prices change in such markets in response to changes in demand and/or supply.

VII. Three dilemmas, or problems, posed to our private enterprise market and price system.

VIII. The role of government in relation to how the private enterprise, competitive market and price system operates to solve the three basic problems considered in this unit.

IX. The case of agriculture.

X. The case of organized labor.

XI. The case of economic security.

UNIT SEVEN

OPERATION OF THE U. S. ECONOMIC SYSTEM: HOW MUCH IS PRODUCED AND HOW MANY JOBS ARE PROVIDED -- ECONOMIC STABILITY AND GROWTH

I. Economic stability defined.

II. Economic growth defined.

III. Linkage between stability (at high levels of employment) and growth.

IV. Importance of economic stability and growth.

V. Economic stability and growth: A look at the record.

VI. Measuring national income, production and prices.

VII. Major forces determining the level of production, income, and employment in the United States economic system.

VIII. Major forces determining the level of production, income and employment in the United States economic system: The role of the Federal Government via fiscal policy (expenditures, taxing, borrowing).

IX. The role of the banking and monetary system in economic stability and growth.

X. The banking and monetary system in economic stability and growth: The role of the Federal Government.

XI. Necessity to coordinate and integrate government's monetary and fiscal policy.

XII. Government's special measures to promote growth.

XIII. Monetary fiscal policy and "cost-push" inflation.

UNIT EIGHT

THE UNITED STATES IN THE WORLD ECONOMIC SYSTEM

I. The economic interdependence of the U. S. economic system with other national economic systems in the world economic system.

II. Trade and investment among national economic systems is based on the same underlying factors as trade and investment among regions of the U. S.

III. Major differences involved in international trade and investment (compared to domestic).

IV. In the interdependent world economic system, inflations and depressions are "contagious," and spread from one national economic system to another.

V. The international balance of payments.

VI. Major economic problems and developments in world trade and investment.

UNIT NINE

THE SPECTRUM OF ECONOMIC SYSTEMS

I. Importance of a rational, objective nonemotional approach.

II. Review elements of Unit One.

III. Dimensions in a spectrum-analysis of economic systems.

IV. Analysis of various economic systems in terms of the above spectrum dimensions.

V. Some specific points of comparison between the United States/ and Russia's economic systems.

VI. Relative production and growth of the United States and Russia.